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RUHBANB/CG MCB CAMP BUTLER JA  
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 004596

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DOD FOR OSD/APSA SEDNEY/HILL/BASALLA; USFJ FOR  
J00/J01/J1/J3/J4/J5

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TAGS: [MARR](#) [PREL](#) [JA](#)

SUBJECT: PM/SNA AMBASSADOR MCDONALD'S MEETINGS ON SMA

REF: TOKYO 4286

Classified By: Ambassador J. Thomas Schieffer; Reasons: 1.4(b/d)

11. (C) Summary: During a September 25 visit by PM/SNA Senior Advisor Ambassador Jackson McDonald, Ministry of Foreign Affairs (MOFA) and Ministry of Defense (MOD) officials rejected the U.S. proposal for a three-year roll-over of the current Special Measures Agreement (SMA) governing USD 1.1 billion in Japan's Host Nation Support (HNS) for U.S. forces. MOFA North American Affairs Director General Shinichi Nishimiya asserted that the April 2006 "Gentleman's Agreement" reached between then-Defense Minister Fukushima Nukaga and Secretary Rumsfeld is "not only defunct, but never existed." Nishimiya and counterparts from MOD warned that if no agreement is reached for a new SMA before the end of November, when Japan will finalize its JFY 2008 budget, funding under the SMA will cease on April 1, 2008. MOD officials commented that Japan is prepared to cut HNS in areas that fall outside of the SMA framework, including benefits for Japanese base employees. Ambassador McDonald cautioned that the suggestion of a unilateral cessation of Japan's HNS payments would be badly received in Washington. He urged Japan to agree to an extension of the current agreement. End Summary.

12. (C) On September 25 PM/SNA Senior Advisor Ambassador Jackson McDonald met with the Japanese Ministry of Foreign Affairs (MOFA) and Ministry of Defense (MOD) to discuss the Special Measures Agreement (SMA). Ambassador McDonald called separately on MOFA's Director General for North American Affairs Shinichi Nishimiya, MOD Director General for Defense Policy Hironori Kanazawa, MOD Defense Councilor Daikichi Monma, and MOD Local Cooperation Bureau Director General Yoshiyuki Jibiki.

13. (C) Ambassador McDonald made clear that neither he nor the County Team has yet received authority to negotiate.

That said, McDonald reiterated the U.S. Government position that Japan should agree to a three-year extension of the current SMA per the April 2006 commitment by then-Defense Minister Nukaga to Secretary of Defense Rumsfeld.

¶4. (C) McDonald stated that Japan's September 12 proposal (reftel) goes against the spirit of the alliance, especially in light of the increased costs the U.S. has borne to support the war on terror and to counter new security challenges in East Asia. McDonald rejected Japan's request for data comparing HNS contributions from other allies, noting that each ally contributes in its own way.

Gentleman's Agreement  
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¶5. (C) MOFA and MOD interlocutors explicitly disavowed the Nukaga-Rumsfeld "Gentleman's Agreement" to rollover the current SMA for three years. DG Nishimiya stated that this commitment "is not only defunct, it never existed." DG Kanazawa asserted that the U.S. understanding of the Nukaga-Rumsfeld agreement is "confused." Kanazawa, emphasizing that he was personally present for the discussion, said that Nukaga's offer was made in his personal capacity, not as a representative of the Japanese government. Defense Councilor Monma separately stated that he had recently confirmed with (current Finance Minister) Nukaga that his pledge was in his capacity as a politician, not a Minister of State. "At the time, Nukaga only had negotiating authority from the Prime Minister for (realignment issues on) Guam, not SMA." Ambassador McDonald replied that it is difficult to believe that a government can so easily disavow a pledge from one of its ministers.

Time Running Out  
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¶6. (C) MOD DG Kanazawa urged the two sides to quickly move beyond the current impasse over the nature of the "Gentleman's Agreement" in order to start negotiations on a new SMA. Both he and MOFA's Nishimiya insisted that if negotiations did not conclude by the end of November, money cannot be programmed into the FY2008 budget to be approved by the cabinet in December. Nishimiya added that "this is not a negotiating tactic, it is a fact." While acknowledging that time is short, MOD's Kanazawa expressed confidence that the two sides could reach an agreement before the clock runs out if negotiations were to begin soon.

¶7. (C) Ambassador McDonald rejected Japan's timetable, noting that no serious review of our HNS relationship could be conducted within two months. He added that the U.S. postponed formal negotiations until after Japan's July 29 Upper House election based on a request from the Japanese government. McDonald warned that the suggestion that Japan would simply cease funding USD 1.1 billion on April 1 if negotiations do not conclude before December would provoke a negative reaction in Washington.

Beyond SMA  
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¶8. (C) Both MOD Local Cooperation Bureau DG Jibiki and Defense Councilor Monma urged the U.S. government to consider Japan's (informal) proposal to reduce fringe benefits for Japanese base workers, including the 10 percent "USFJ differential." Ambassador McDonald pointed out that labor benefits fall outside of the SMA framework, but registered the U.S. position that we oppose pay cuts for Japanese employees. Monma replied that the Ministry of Finance (MOF) does not distinguish between SMA and non-SMA HNS spending. Accepting reductions in fringe benefits, he added, would reduce pressure to cut in areas like utilities and construction that would require the U.S. Congress to appropriate additional funding.

19. (U) Ambassador McDonald has cleared this message.  
DONOVAN